

9 FEB 1977

Executive Registry

77-412

NOTE FOR: DCI Designate

SUBJECT: The 1978 CIA Budget

1. In our session Tuesday evening, you asked for details of the budget process within CIA. Here is a short summary of what we will be doing for fiscal 1979. It is identical in all basic respects to the process employed in previous years. The President's deep interest in programs and budget issues may lead to his involvement in some form during the July Program Review or even earlier.

2. Also included is the brief paper on the missions and functions of the major subdivisions of CIA that you requested. A separate envelope contains a copy of the Congressional budget submission that was forwarded to our oversight committees last week, intended as background reading. It covers CIA's activities, as well as the budget, in considerable detail.

3. The following comments on the contents of the budget book should help you find items of particular interest.

- The Perspectives section includes a brief discussion of historical trends and a somewhat more lengthy explanation of major changes in organization and management that have taken place in the last year.
- The Program for 1978 section summarizes major changes and includes the standard Program and Financing statement accounting for funds appropriated for CIA. It also includes a table accounting for funds appropriated to other agencies and advanced to CIA.
- The Program by Program Category section may be of greatest interest to you at this juncture. You can skip the first 11 pages; they merely summarize what follows, omitting all sensitive material. Beginning with page III-13, you will find a detailed discussion of recent achievements and future plans, as well as the budget itself. Also included, at the direct request of the House Appropriations Committee, are statistics on certain functions susceptible to quantification, as well as a tabulation that attempts to differentiate between programmatic changes and cost changes.

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---In the Program by Organization section, you will find tabulations by division and overseas stations of DDO expenditures, as well as maps showing the location of overseas stations. [REDACTED]

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[REDACTED] These tables, however, show only the funds budgeted to the operating divisions; a discussion of the covert action program overall is in the Program by Program Category section, pages III-59 to III-62.

---The Object Class and Personnel Data sections are tabulations of basic financial data and probably of minimal interest.

---The Supplemental Schedules section covers (1) items that are mandatory under existing legislation or under OMB guidelines and, (2) items of particular interest to Congress. You probably will be most interested in those that deal with Congressional directives to us (section VII-A), SIGINT (VII-B), RD&E (VII-C), Proprietaries (VII-I), and the Contingency Reserve (VII-J).

4. I enjoyed the opportunity to talk with you Tuesday and look forward to many future meetings.

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James H. Taylor
Comptroller

Attachments:
As stated

Distribution:
Original - Addressee, w/atts
1 - DDCI, w/att
① - ER, w/att

BUDGET/PROGRAM PROCESS WITHIN CIA FOR 1979

- A Program Call for 1979 has just been issued by the Comptroller. This contains instructions for preparing component programs for top management review in July. New this year: programs will be submitted at three levels (austerity, at PRC guidance level, optimal). Program Guidance will be issued in mid-February. This will specify dollar levels for each directorate for 2 of the 3 levels (no limit on maximum that can be proposed) and will include guidance on specific substantive areas.
- Program Submissions will be submitted to the Comptroller in June. Comptroller compiles, analyzes, and submits recommended Agency program to the Executive Advisory Group and DDCI for discussion and preliminary decision.
- Program Review. In early July, the DDCI reviews the Comptroller recommended program with EAG members and reaches a preliminary decision.
- The Program is then submitted to the NSC Policy Review Committee for review and decision in mid-July. (Policy question to be discussed with Admiral Murphy: should OMB participate in this PRC review?)
- Financial Guidance letters will be issued by DDCI in August, reflecting Program Review and PRC decisions; dollar and position levels are specified for each directorate and any appropriate guidance is transmitted.
- OMB Submission is compiled in September.
- OMB/PRC joint review of program will take place in October and November. The review includes detailed hearings on each program selected for examination by either OMB or PRC (IC Staff). Typically some 80-120 hours of hearings are conducted.
- PRC Reviews recommendations of OMB and PRC staff (and CIA appeals) in November.
- Presidential Review, at which any outstanding issues between OMB and PRC are settled, will take place in early December.
- Guidance letters to CIA directorates will be issued by the Comptroller in late December. On the basis of Presidential decisions, these allocate total funds and positions to the components and provide appropriate additional guidance. The components will then prepare and forward inputs for the Congressional Budget in late December.

- The President's Budget will be compiled by OMB in December and submitted to Congress next January. (CIA and certain other Community programs are included within it but not explicitly identified.)
- The 1979 Congressional Submission will then be prepared by the Comptroller staff during January and submitted to Congressional oversight committees on 1 February.
- Congressional hearings with DCI and DDCI will take place in March and April. The usual format has been to begin with the DCI on Community programs, and continue with DCI, DDCI, and/or others on details of CIA, and other community programs.
- Authorization action by Senate Select Committee will take place for first time this year. There is not likely to be matching action on the House side. The procedures are unclear.
- The House Appropriations Committee mark will be received in late May or early June. Agency may appeal to PRC; PRC may appeal to Senate.
- Senate Appropriations Committee acts after House, and generally concentrates on issues raised by House.
- Conference committee of House and Senate Appropriations Committees will meet in late August or early September. Appeals are possible, but conferees can consider only those items on which the two committees have taken different actions.
- Conference action will be conveyed in classified letter to OMB and the DCI in late September. This completes the detailed external process of the budget. We then turn to the problem of administering the operating year program.
- Financial guidance letters from DDCI will be prepared by Comptroller in September 1978. These will allocate funds and positions approved by Congress to directorates and include any limitations imposed by Congress and any further restrictions DCI or DDCI wish to impose.
- Active Operating budgets will be prepared by CIA components in October.
- Comptroller's meetings (Comptroller, four deputy directors, administrative officer of DCI area, Director of Finance) will take place monthly, beginning in January, and continuing through the end of fiscal 1979 to review status of funds and positions. As new requirements arise, decisions are made on whether to proceed with them and, if so, how the funds and positions are to be made available. These decisions are submitted to the DDCI for his approval. If approved, they are conveyed to the directorates in the form of minutes of the Comptroller's meetings or as amendments to the Financial Guidance letters.

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- Requests for Reprogramming within each Directorate above thresholds established by Financial Guidance letters must be submitted to Comptroller for approval or recommendation to DDCI.
- Proposals for Reserve withdrawals must be submitted to Comptroller, DDCI, and DCI for approval. (If for covert action or other sensitive activities, these will already have been approved by the Special Coordination Committee of NSC, there will have been a Presidential Finding of need in the interest of national security, and seven committees of Congress will have been briefed.) Requests are then submitted to OMB for approval. If OMB approves, Congressional Committees are notified.

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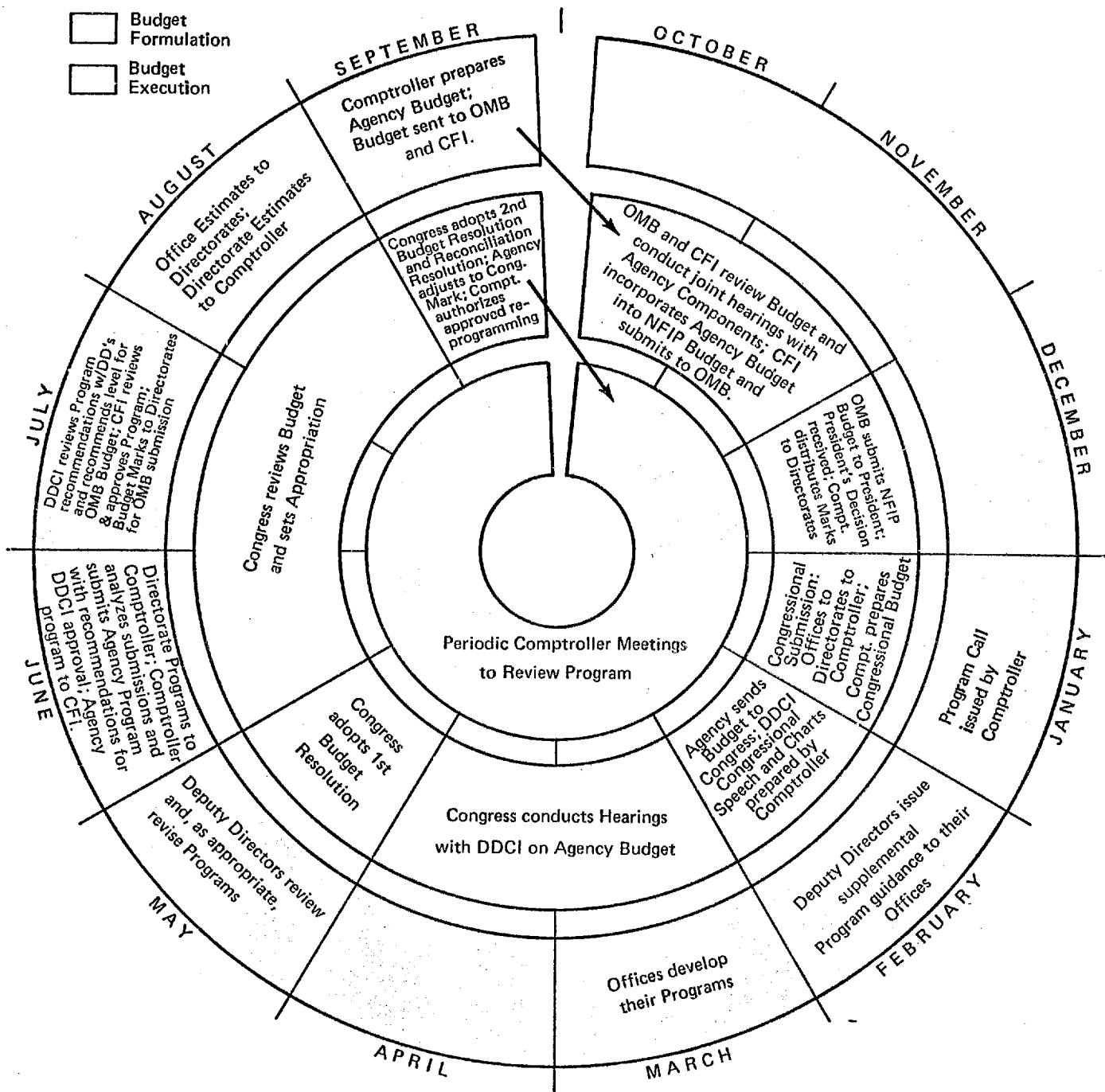
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BUDGET CYCLE

- ☐ Program Planning
- ☐ Budget Formulation
- ☐ Budget Execution



A new fiscal year begins each year on October 1st.

A new budget planning cycle begins each year in January with the issuance of the Program Call which is applicable to the fiscal year beginning 21 months later.

Budget Officers, preparing the Program Plans, Budget Estimates, and Congressional Budgets, shall refer to the required three fiscal years of financial data as being the Program Year, that is, the year for which a budget plan is being developed; the Budget Year, the year immediately preceding the Program Year; and, the Current Year, the year immediately preceding the Budget Year.

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NOTE: Functions of CFI have been assumed by NSC Policy Review Committee. Other changes are also likely under the new Administration.

DCI AREA

- Provides leadership of Intelligence Community and executive direction of CIA, and provides staff support to DCI and DDCI.
- Comptroller: Advises on all CIA resource matters; prepares CIA's program and budget submissions for PRC, OMB and Congressional review, and maintains the Agency's financial and manpower controls; provides a central mechanism within CIA for collection guidance; conducts assessments to aid collection and Agency management in managing resources.
- Office of EEO: Administers several affirmative action programs and the Federal discrimination complaint system.
- Inspector General: Provides the full and final audit of all CIA activities and funds; investigates reports of malfeasance of employees and reported conflicts of interest and reviews appeals of employee grievances; conducts regular component inspections to determine compliance with guidelines and regulations and to determine problems that warrant management attention.
- General Counsel: Provides advice to Director and all officials and employees on legal matters; reviews contracts and regulations of the Agency from a legal viewpoint; conducts legal liaison outside the Agency.
- Legislative Counsel: Advises the DCI and DDCI on all Congressional matters affecting CIA and the Community; coordinates Congressional contacts and levies Congressional requirements on Agency elements; maintains liaison with appropriate Congressional Committees; and recommends action in response to legislative proposals.
- National Intelligence Officers: Provide liaison between the Intelligence Community and policy-level consumers in order to produce Community-coordinated intelligence to satisfy policymakers' requirements.
- Agency goals established by the CIA Executive Advisory Group:
 - sharpen capabilities to give policymakers what they really need;
 - improve management processes for coordination and integration of all activities and for planning;
 - establish relations of mutual confidence with oversight organs and the public;
 - strengthen command and control arrangements, and;
 - improve personnel policies.

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DIRECTORATE OF INTELLIGENCE

- Is responsible for the production of current intelligence publications including the President's Daily Brief, National Intelligence Daily, Weekly Review--as well as intelligence reports and briefings for US policymakers and other leading officials.
- Conducts research, analysis, and production of all-source economic, political, geographic, scientific, military, imagery and biographic intelligence. Included is analysis of imagery in direct response to special requirements of CIA components.
- Provides central library and reference services; publications, film, and map procurement; document dissemination and cartographic services.
- A number of important organization changes were made in November:
 - to improve support to the policy analysis community;
 - to emphasize the importance of interdisciplinary research and analysis; and
 - to achieve greater efficiency in the production process.
- Features of the new organizational structure:
 - a Center for Policy Support to monitor the substance of the overall production program to ensure responsiveness to consumer requirements, and to produce a limited number of interdisciplinary analyses on key issues facing policymakers--a small group works with key staff officers in the Executive and Legislative Branches;
 - an Office of Regional and Political Analysis to carry out short-, mid-, and long-term analysis and reporting which emphasizes the interdisciplinary character of foreign regional developments;
 - a reconfigured approach to current intelligence with the establishment of ORPA and the Current Reporting Group, replacing the much larger Office of Current Intelligence; and
 - planning for a Resources Analysis Center in the Office of Geographic and Cartographic Research to study certain global resource issues--e.g., food crops, energy supplies, water resources--in an interdisciplinary fashion.
- The Intelligence Directorate is also exploring new methods of presenting its analytical products.

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DIRECTORATE OF ADMINISTRATION

- Provides administrative support services of common concern: communications, logistics, security, personnel, training, finance, medical, data processing, records management, career management, budget and program planning, and document classification, declassification and release.

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- Logistics: Operation and maintenance of Agency-occupied buildings; procurement and supply services, including unusual items required for clandestine operations; contracting and contract management support; and printing and reproduction services. Also maintains and operates two supply depots-- [REDACTED] for administrative supplies and equipment and one near [REDACTED] for contingency stock.

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- Security: Investigations of applicants for employment and contractor personnel; physical security activities, including protection of official data and Agency installations; technical security activities, including countermeasures programs both in Headquarters and abroad.
- Personnel: Recruitment of potential employees (independent of the Civil Service Commission); conventional personnel activities; and special programs, including administration of the CIA Retirement and Disability System, insurance, and other employee benefit programs.

- Training: Instructional programs, primarily for Agency personnel but also for members of Intelligence Community agencies and selected members of foreign intelligence services. Internal training courses emphasize intelligence, language, management, and special skills and techniques of clandestine operations--the latter using the Special

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[REDACTED]

- Finance: Administers financial and accounting operations, including payroll, commercial audit, and certification. Inter-Agency financial liaison activities; [REDACTED]

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- Medical: Health and medical program, including examination of applicants for employment and medical evaluation of employees and dependents being assigned abroad; psychological testing and counseling services; behavioral science services in support of both Agency [REDACTED]

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- Data Processing: Operation and maintenance of central computer centers, including analysis of user requirements, evaluation of proposed ADP applications, programming services, and maintenance of software systems.

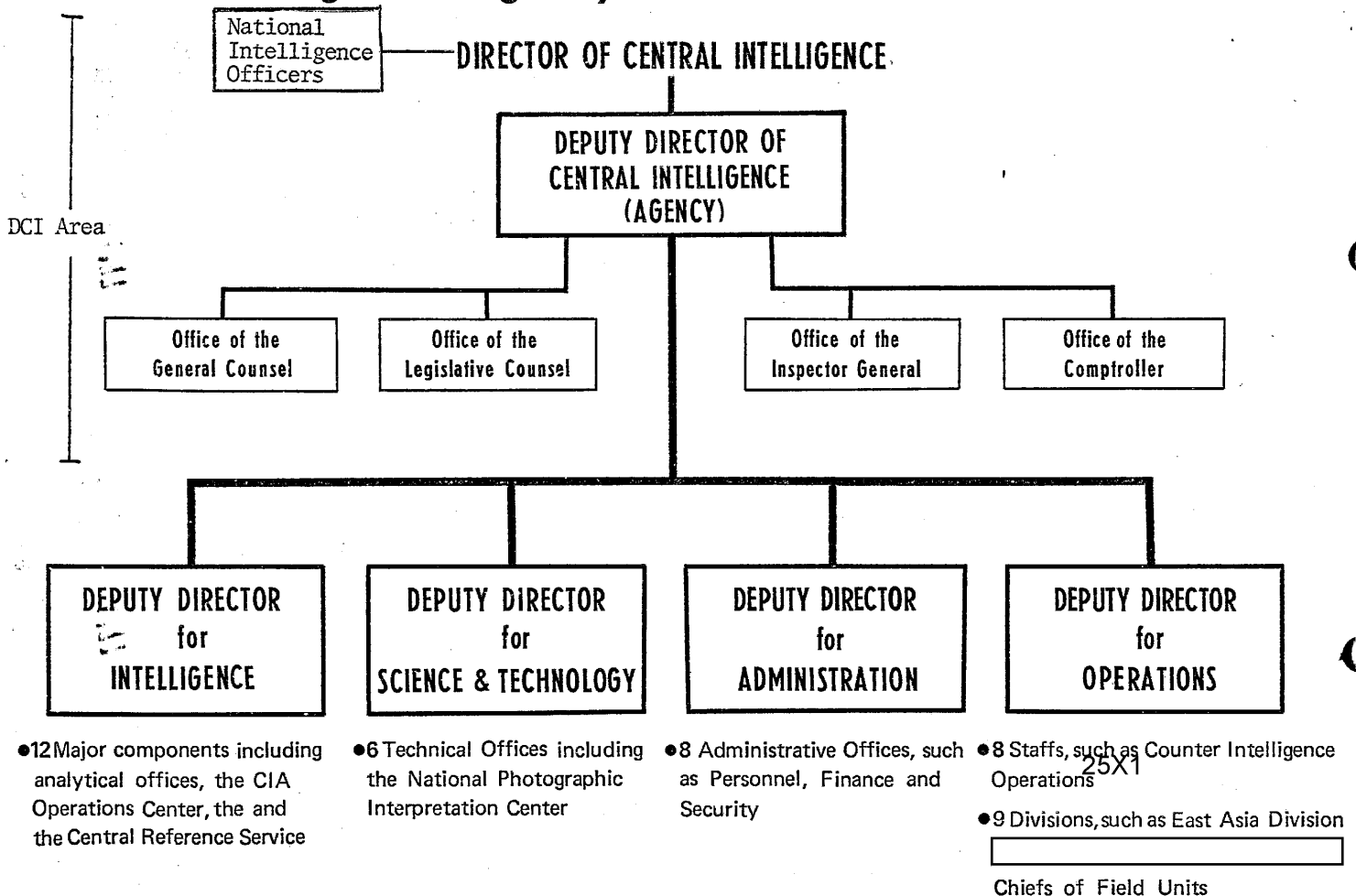
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